

**LINDON CITY CORPORATION**  
**FINANCIAL STATEMENTS**  
**And Supplementary Information**  
**JUNE 30, 2006**

LINDON CITY CORPORATION  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2006

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LINDON CITY CORPORATION  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2006

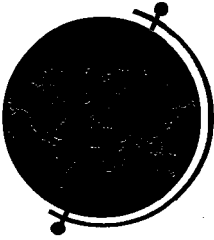
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## **THE C.P.A. NETWORK, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

GLOBAL ACCESS

LOCAL FINANCIAL SPECIALISTS

### **INDEPENDENT AUDITOR'S REPORT**

Honorable Members of the City Council and Mayor  
Lindon City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lindon City Corporation, Utah, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lindon City Corporation, Utah's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lindon City Corporation, Utah, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Major Special Revenue Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2006, on our consideration of Lindon City Corporation, Utah's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

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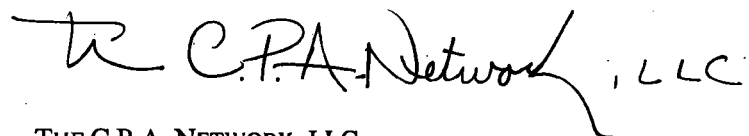
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agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information (on pages 3 through 10 and 42 through 44) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "The C.P.A. Network, LLC". The signature is stylized, with the "C.P.A." being more prominent and the "Network, LLC" following in a cursive-like script.

THE C.P.A. NETWORK, LLC  
Certified Public Accountants  
Provo, Utah

December 1, 2006

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**LINDON CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2006**

This section of Lindon City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2006. We encourage readers to consider the information presented here in conjunction with the City's financial statements and notes to the financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

**Government Wide**

- The assets of Lindon City exceeded its liabilities as of June 30, 2006 by \$41,560,726 (net assets). Of this amount, \$6,564,831 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased \$5,270,739. Net assets of our business-type activities increased \$1,790,120 and the net assets of our governmental activities increased \$3,480,619, largely due to sales taxes.

**Fund Level**

- Lindon City's governmental funds reported combined ending fund balances this year of \$9,954,254, an increase of \$2,243,678. \$4,075,221 of the fund balance is available for spending at Lindon's discretion (unreserved fund balance).
- The unreserved fund balance for the general fund ended at \$2,349,087, or 36 percent of total general fund expenditures.

**Long-term Debt**

- Lindon City's total debt increased \$1,554,625 (8 percent) during the current fiscal year. Lindon City refunded a revenue bond in order to benefit from lower interest rates, however the original bond had a call provision preventing the bond being paid off before December 2006.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and the supplementary information including budgetary schedules for the capital project funds and the debt service fund. The basic financial statements include two kinds of statements that present different views of the City, government-wide financial statements and fund financial statements.

**Government-wide financial statements.** The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The statements are designed to provide readers with a broad overview of Lindon City's finances, in a manner similar to a private-sector business.

The balance sheet presents information on all of Lindon City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the City's financial position is improving or deteriorating. To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's sales tax base and the condition of the City's roads.

The statement of activities presents information showing how Lindon City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Lindon City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The

LINDON CITY CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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governmental activities of Lindon City include general government, public safety, streets and public improvements, and parks and recreation. The business-type activities of Lindon City include operating the water, sewer, and storm water drainage systems and supervising the solid waste collection.

The government-wide financial statements can be found on pages 11 and 12 of this report.

**Fund financial statements.** The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Lindon City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Lindon City can be divided into two categories: governmental funds and proprietary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Lindon City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for each governmental fund, four of which (general, redevelopment, debt service and special improvement district funds) are major funds. The fifth fund, which accounts for the capital improvement projects, is a non-major fund. It is presented with the major funds since it is the only nonmajor fund.

Lindon City adopts an annual appropriated budget for its general fund and other governmental funds. A budgetary comparison statement has been provided for the general fund and the major special revenue fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-19 of this report.

**Proprietary funds.** Lindon City maintains four enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Lindon City uses enterprise funds to account for its operation of the water, sewer, and storm water drainage systems as well as its supervision of the solid waste collection.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each enterprise fund, three of which (water, sewer, and storm water drainage) are major funds. The fourth fund, which accounts for solid waste collection, is a nonmajor fund. It is presented with the major funds since it is the only nonmajor fund.

The basic proprietary fund financial statements can be found on pages 20-23 of this report.



**LINDON CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2006**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-41 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which can be found on pages 42-44 of this report.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

**Net assets.** As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Lindon City, assets exceeded liabilities by \$41,560,727 as of June 30, 2006.

As indicated in Table A-1, the largest portion of Lindon City's net assets (71.6 percent) reflects its investment in capital assets (i.e. land, buildings, roads, sidewalks, utility systems, water rights and equipment), less any related debt used to acquire those assets that is still outstanding. Lindon City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Lindon City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1  
Lindon City's Net Assets

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2005	2006	2005	2006	2005	2006	
Current and other assets	\$9,882	\$12,828	\$2,886	\$2,187	\$12,888	\$14,825	15.3%
Capital assets	\$16,835	\$19,332	\$28,453	\$31,108	\$45,089	\$50,438	11.8%
Total assets	\$26,887	\$31,980	\$31,348	\$33,303	\$67,945	\$66,883	12.6%
Long-term debt outstanding	\$8,511	\$7,082	\$9,441	\$9,431	\$17,951	\$16,483	-8.1%
Other liabilities	\$3,180	\$8,491	\$544	\$718	\$3,704	\$7,209	94.6%
Total liabilities	\$11,691	\$15,573	\$9,984	\$10,149	\$21,855	\$23,702	9.5%
Net assets							
Invested in capital assets, net of related debt	\$7,284	\$8,518	\$18,888	\$21,252	\$25,952	\$29,770	14.7%
Restricted	\$3,721	\$4,808	\$948	\$418	\$4,670	\$5,226	11.8%
Unrestricted	\$3,921	\$6,081	\$1,747	\$1,484	\$5,668	\$6,565	15.8%
Total net assets	\$14,926	\$18,407	\$21,584	\$23,154	\$36,290	\$41,561	14.5%

(in thousand of dollars)

An additional portion of Lindon City's net assets (12.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,564,831) may be used to meet the government's ongoing obligations to citizens and creditors.

Lindon's net assets increased 14.5%. At the end of the current fiscal year, Lindon City is able to report positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Changes in net assets.** Sales and property taxes account for over one-third of the City's revenue (see figure A-1)

LINDON CITY CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006

with 45 cents of every dollar raised coming from some type of tax. Another 28 percent comes from fees charged for services, and most of the remaining miscellaneous revenue is made up of impact fees and assessments.

The City's expenses cover a range of services, with 72 percent from general government activities and 28 percent from business-type activities. Public safety, a major portion of general government activities, encompassed 18.1 percent of the City's total expenses. (See Figure A-2.)

Figure A-1  
Lindon City  
Sources of Revenue for Fiscal Year 2006

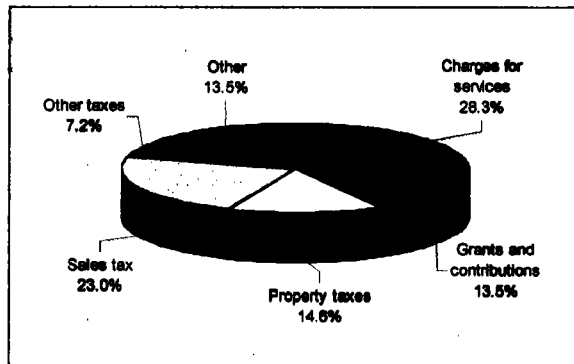
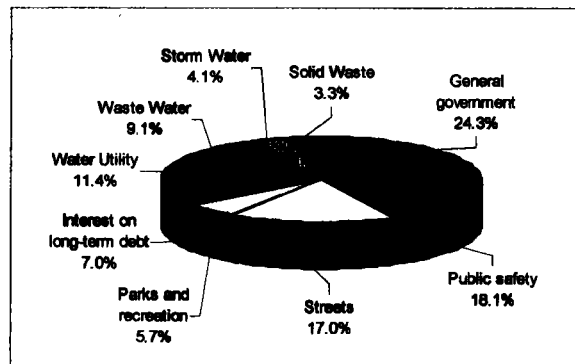


Figure A-2  
Lindon City  
Functional Expenses for Fiscal Year 2006



**Governmental activities.** As indicated in Table A-2, the cost of all governmental activities this year was \$5,967,158. However, the amount that taxes paid for these activities was \$4,117,408, the net cost of the governmental functions. The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions. Some of the cost was paid by those who directly benefitted from the services (\$1,029,539), or other governmental organizations that subsidized certain programs with grants and contributions (\$820,211). The City paid for the remaining "public benefit" portion with tax revenue.

Sales tax revenue increased 34.8% as a result of new businesses moving into the City. As 700 North Street is extended to the new highway interchange, the City expects more businesses and thus more sales tax revenue, to come to Lindon.

**Business-type Activities.** The cost of all business-type activities this year was \$2,301,137. The revenues exceeded costs by \$1,503,490. Factors contributing to these results included:

- Capital contributions by developers
- Proceeds from loans totaling \$433,915

Charges for services increased 10 percent. Most of this was due to the City's efforts to capture lost revenue in the water division as well as an increase in the number of hook-ups due to growth.

**LINDON CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2006**

Table A-2  
Lindon City's Changes in Net Assets  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2005	2006	2005	2006	2005	2006	2005-2006
<b>Revenues</b>							
Program revenues							
Charges for services	\$ 853	\$ 1,030	\$ 2,548	\$ 2,798	\$ 3,401	\$ 3,827	12.5%
Grants and contributions	666	820	891	1,007	1,557	1,827	17.4%
General revenues							
Property taxes	1,846	1,971	-	-	1,846	1,971	6.8%
Sales tax	2,307	3,110	-	-	2,307	3,110	34.8%
Other taxes	794	980	-	-	794	980	23.5%
Other	391	1,434	432	389	822	1,823	121.7%
<b>Total revenues</b>	<b>6,858</b>	<b>9,345</b>	<b>3,871</b>	<b>4,194</b>	<b>10,727</b>	<b>13,539</b>	<b>26.2%</b>
<b>Expenses</b>							
General government	1,720	2,011	-	-	1,720	2,011	16.9%
Public safety	1,277	1,497	-	-	1,277	1,497	17.3%
Streets	1,473	1,408	-	-	1,473	1,408	-4.5%
Parks and recreation	486	488	-	-	486	488	0.8%
Interest on long-term debt	420	583	-	-	420	583	38.9%
Water Utility	-	-	952	941	952	941	-1.2%
Waste Water	-	-	743	750	743	750	1.0%
Storm Water	-	-	285	340	285	340	19.5%
Solid Waste	-	-	268	270	268	270	0.6%
<b>Total expenses</b>	<b>5,386</b>	<b>5,987</b>	<b>2,248</b>	<b>2,301</b>	<b>7,603</b>	<b>8,288</b>	<b>8.8%</b>
Excess (deficiency) before transfers	1,502	3,378	1,622	1,893	3,124	5,271	68.7%
Transfers	300	103	(300)	(103)	-	-	-
<b>Increase (decrease) in net assets</b>	<b>\$ 1,802</b>	<b>\$ 3,481</b>	<b>\$ 1,322</b>	<b>\$ 1,790</b>	<b>\$ 3,124</b>	<b>\$ 5,271</b>	<b>68.7%</b>

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**LINDON CITY CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As noted earlier, Lindon City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** As Lindon City completed the year, its governmental funds reported a combined fund balance of \$10 million, an increase of 29 percent over last year. The following changes in fund balances should be noted:

- Lindon City issued a \$3.7 million sales tax revenue bond in June 2005 and received the proceeds, but the corresponding construction is not yet complete.
- Sales tax revenue has increased about \$803,000 or 35 percent due to the influx of new businesses, especially the Wal-mart Supercenter.

**Proprietary funds.** The net assets of the City's proprietary funds increased by \$1,790,120. As stated above, factors contributing to these results included:

- Capital contributions by developers
- Bond proceeds in the Water and Sewer funds

**General Fund Budgetary Highlights**

The amended budget increased 11 percent or \$1.07 million above the original budget. The differences can be briefly summarized as follows:

- \$719,564 in increases allocated to sales, property and other tax revenue
- \$120,000 in increases allocated to court revenue, which was offset by \$67,475 allocated to court and attorney expenses
- \$156,600 in increases allocated to interest earnings

These increased revenues were offset by increased interfund transfers and appropriation to fund balance.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

As indicated in Table A-3, at the end of fiscal 2006, the City had invested \$50,367,946 in a broad range of capital assets, including land, buildings, improvements, equipment, roads, sidewalks, water, sewer and storm water lines. More detailed information about the City's capital assets is presented in Note 4 to the financial statements.

This year's major capital asset additions included:

- Three new fleet vehicles, a master vector truck and a mini-excavator
- Road improvements including the widening of 200 South, from 400-500 East, and the extension of 700 North, from Geneva Road to Lindon's city limits, which will be completed Fall 2006
- Park improvements for Pioneer and Hollow Parks and property purchase for Orchard Park
- A new telemetry system for water and sewer

**LINDON CITY CORPORATION**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2006**

Table A-3  
Lindon City's Capital Assets

	Governmental Activities		Business-Type Activities		Total		Total %
	2005	2006	2005	2006	2005	2006	Change 2005-2006
Land	\$ 2,845	\$ 3,348	\$ 868	\$ 868	\$ 3,513	\$ 4,214	20.0%
Water Stock	-	-	12,357	12,796	12,357	12,796	3.6%
Buildings	1,691	1,719	-	-	1,691	1,719	1.7%
Infrastructure	11,990	13,753	-	-	11,990	13,753	14.7%
Water System	-	-	6,725	7,167	6,725	7,167	6.6%
Sewage System	-	-	2,932	3,553	2,932	3,553	21.2%
Storm Drain System	-	-	5,458	6,227	5,458	6,227	14.1%
Improvements	134	203	-	-	134	203	51.2%
Equipment	57	194	86	442	143	636	343.8%
Vehicles	66	67	6	32	72	99	37.3%
<b>Total</b>	<b>\$ 16,582</b>	<b>\$ 19,282</b>	<b>\$ 28,432</b>	<b>\$ 31,086</b>	<b>\$ 45,015</b>	<b>\$ 50,368</b>	<b>11.9%</b>

(net of depreciation, in thousands of dollars)

**Long-term Debt**

As indicated in Table A-4, at the year-end the City had \$20,505,615 in bonds and notes outstanding. More detailed information about the City's long-term liabilities is presented in Note 5 to the financial statements. Lindon City does not have any general obligation bonds. We would like to point out that most of the City's debt is backed by specific revenue streams. There are only two bonds which are paid with tax revenue. One was used to finance the City Center construction and will be paid off in October 2006. The other, issued in June 2005 for \$3.7 million and secured by sales tax revenue, is being used to fund the extension of 700 North, which will be complete Fall 2006.

Table A-4  
Lindon City's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total		Total %
	2005	2006	2005	2006	2005	2006	Change 2005-2006
Revenue Bonds	\$7,822	\$10,103	\$9,743	\$9,633	\$17,565	\$19,737	12.4%
Notes Payable	58	-	-	178	58	178	206.5%
S.I.D. Bonds	1,328	591	-	-	1,328	591	-55.5%
	<b>\$9,208</b>	<b>\$10,694</b>	<b>\$9,743</b>	<b>\$9,811</b>	<b>\$18,951</b>	<b>\$20,506</b>	<b>8.2%</b>

(in thousands of dollars)

Lindon City's total debt increased \$1,554,625 (8 percent) during the current fiscal year. Lindon City refunded a revenue bond in order to benefit from lower interest rates, however the original bond had a call provision preventing the bond being paid off before December 2006. Thus, there is an additional \$2,760,000 in revenue bonds, but Lindon City has the proceeds to cover the debt at the appropriate time.

**LINDON CITY CORPORATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006**

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- For June 2006, the unemployment rate for Utah County is 2.8 percent, lower than the state average of 3.1 percent and the national average of 4.6 percent.
- A 3.5 percent inflation rate, provided by the U.S. Department of Labor as of April 2006, was considered in preparing the 2007 budget.

These indicators were taken into account when adopting the budget for fiscal 2007. Sales tax revenues are still expected to increase due to new businesses that continue to come to Lindon. The increased tax revenues will be used for capital projects.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of Lindon City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, Lindon City, 100 North State Street, Lindon, UT 84042.

## **BASIC FINANCIAL STATEMENTS**

LINDON CITY CORPORATION  
STATEMENT OF NET ASSETS  
JUNE 30, 2006

<u>Assets</u>	Primary Government		Total
	Governmental Activities	Business-type Activities	
Current assets:			
Cash and cash equivalents	\$ 5,495,580	\$ 689,711	\$ 6,185,291
Cash and cash equivalents-restricted	5,619,321	1,347,333	6,966,654
Accounts receivable - net	0	276,256	276,256
Property taxes receivable	984,008	0	984,008
Sales taxes receivable	256,077	0	256,077
Other receivables	110,173	33,300	143,473
Prepaid expenses	13,000	0	13,000
Internal balances	150,000	(150,000)	0
Total current assets	12,628,159	2,196,600	14,824,759
Noncurrent assets:			
Capital assets:			
Non-depreciable			
Land	3,345,994	868,465	4,214,459
Water stock	0	12,796,448	12,796,448
Depreciable (net of accumulated depreciation)			
Buildings	1,718,626	0	1,718,626
Improvements	202,757	0	202,757
Equipment	194,395	441,870	636,265
Vehicles	66,852	32,387	99,239
Infrastructure	13,753,285	0	13,753,285
Water distribution system	0	7,166,890	7,166,890
Waste water collection system	0	3,552,804	3,552,804
Storm water drainage system	0	6,227,173	6,227,173
Net capital assets	19,281,909	31,086,037	50,367,946
Costs of issuance	50,335	19,965	70,300
Total noncurrent assets	19,332,244	31,106,002	50,438,246
Total assets	31,960,403	33,302,602	65,263,005
<u>Liabilities and Net Assets</u>			
Liabilities:			
Current liabilities:			
Accounts payable and accrued liabilities	562,857	207,359	770,216
Deposits	1,047,237	3,000	1,050,237
Accrued interest payable	66,863	22,632	89,495
Compensated absences	38,892	24,699	63,591
Deferred revenue	1,008,899	8,900	1,017,799
Unearned revenue	16,020	0	16,020
Current portion of long term debt	3,750,512	451,539	4,202,051
Total current liabilities	6,491,280	718,129	7,209,409
Noncurrent liabilities:			
Bonds payable	6,994,040	9,379,824	16,373,864
Compensated absences	68,102	50,903	119,005
Total noncurrent liabilities	7,062,142	9,430,727	16,492,869
Total liabilities	13,553,422	10,148,856	23,702,278
Net Assets:			
Invested in capital assets, net of related debt	8,518,176	21,252,007	29,770,183
Restricted for B&C roads	1,613,775	0	1,613,775
Restricted for Debt Service	3,105,724	0	3,105,724
Restricted for impact fees	88,516	417,698	506,214
Unrestricted	5,080,790	1,484,041	6,564,831
Total net assets	18,406,981	23,153,745	41,560,726
Total Liabilities and Net Assets	\$ 31,960,403	\$ 33,302,601	\$ 65,263,004



LINDON CITY CORPORATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006

Function/Programs	Program Revenues			Net (Expense) Rev & Chgs in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 2,010,929	\$ 1,029,539	\$ 7,221	\$ (974,169)		\$ (974,169)
Public safety	1,497,376	0	0	(1,497,376)		(1,497,376)
Highways and public works	1,407,783	0	0	(594,793)		(594,793)
Parks and recreation	468,314	0	0	(468,314)		(468,314)
Interest on long-term debt	582,756	0	0	(582,756)		(582,756)
<b>Total governmental activities</b>	<b>5,967,158</b>	<b>1,029,539</b>	<b>7,221</b>	<b>(4,117,408)</b>		<b>(4,117,408)</b>
<b>Business-type activities:</b>						
Water Utility	940,942	1,457,369	0		\$ 1,136,015	1,136,015
Waste Water	750,043	828,464	0		231,637	231,637
Storm Water	340,384	233,879	0		59,735	59,735
Solid Waste	269,768	278,122	0		8,354	8,354
<b>Total business-type activities</b>	<b>2,301,137</b>	<b>2,797,834</b>	<b>0</b>		<b>1,435,741</b>	<b>1,435,741</b>
<b>Total primary government</b>	<b>\$ 8,268,295</b>	<b>\$ 3,827,373</b>	<b>\$ 7,221</b>	<b>(4,117,408)</b>	<b>1,435,741</b>	<b>(2,681,667)</b>
<b>General revenues:</b>						
Property taxes				1,971,395	0	1,971,395
General sales and use tax				3,109,624	0	3,109,624
Franchise tax				980,467	0	980,467
Impact fees				95,428	352,095	447,523
Unrestricted investment earnings				413,022	37,345	450,367
Miscellaneous				912,705	0	912,705
Gain (loss) on disposal of capital assets				12,576	67,749	80,325
Transfers				102,810	(102,810)	0
<b>Total general revenues and transfers</b>				<b>7,598,027</b>	<b>354,379</b>	<b>7,952,406</b>
<b>Change in net assets</b>				<b>3,480,619</b>	<b>1,790,120</b>	<b>5,270,739</b>
<b>Net assets - beginning (as restated)</b>				<b>14,926,362</b>	<b>21,363,625</b>	<b>36,289,987</b>
<b>Net assets - ending</b>				<b>\$ 18,406,981</b>	<b>\$ 23,153,745</b>	<b>\$41,560,726</b>

The accompanying notes are an integral part of these financial statements.  
See the accompanying independent auditor's report.

**LINDON CITY CORPORATION**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
JUNE 30, 2006

	General Fund	Special Revenue R.D.A.	Debt Service Fund	Special Improvement District	Other Governmental Capital Projects	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$2,964,017	\$ 916,138	\$ 5,000	\$ 173,932	\$ 1,436,493	\$ 5,495,580
Cash and cash equivalents-restricted	2,187,223	3,105,724	0	248,962	77,412	5,619,321
Receivables (net):						
Property tax	984,008	0	0	0	0	984,008
Sales tax	256,077	0	0	0	0	256,077
Franchise tax	52,146	0	0	0	0	52,146
Other	10,158	1,297	0	46,572	0	58,027
Prepaid expense	13,000	0	0	0	0	13,000
Due from other funds	176,720	0	0	0	0	176,720
Total assets	<u>6,643,349</u>	<u>4,023,159</u>	<u>5,000</u>	<u>469,466</u>	<u>1,513,905</u>	<u>12,654,879</u>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable & accrued liab	464,464	1,316	5,000	1,537	129,432	601,749
Deposits and bonds	878,784	0	0	0	0	878,784
Retainage	168,453	0	0	0	0	168,453
Deferred revenue	960,043	0	0	48,856	0	1,008,899
Unearned revenue	16,020	0	0	0	0	16,020
Due to other funds	0	26,720	0	0	0	26,720
Total liabilities	<u>2,487,764</u>	<u>28,036</u>	<u>5,000</u>	<u>50,393</u>	<u>129,432</u>	<u>2,700,625</u>
<b>Fund Balances:</b>						
<b>Fund balances reserved for:</b>						
B&C Roads	487,481	0	0	0	0	487,481
Improvements	1,126,294	889,399	0	0	0	2,015,693
Debt service	181,619	3,105,724	0	0	0	3,287,343
Road impact fees	11,104	0	0	0	0	11,104
Park impact fees	0	0	0	0	77,412	77,412
<b>Unreserved, reported in:</b>						
General Fund	2,349,087	0	0	0	0	2,349,087
Capital Improvement Funds	0	0	0	419,073	1,307,061	1,726,134
Total fund balances	<u>4,155,585</u>	<u>3,995,123</u>	<u>0</u>	<u>419,073</u>	<u>1,384,473</u>	<u>9,954,254</u>
Total liabilities and fund balances	<u>\$6,643,349</u>	<u>\$ 4,023,159</u>	<u>\$ 5,000</u>	<u>\$ 469,466</u>	<u>\$ 1,513,905</u>	<u>\$12,654,879</u>

Fund balances reported for governmental activities in the entity wide balance sheet are different because:

Fund balances--total governmental funds	\$ 9,954,254
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	19,281,909
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(10,879,517)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	50,335
Net assets of governmental activities	<u>\$18,406,981</u>

The accompanying notes are an integral part of these financial statements.  
See the accompanying independent auditor's report.

**LINDON CITY CORPORATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	Special Revenue R.D.A.	Debt Service Fund	Special Improvement District	Other Governmental Capital Projects General	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 5,279,821	\$ 781,665	\$ 0	\$ 0	\$ 0	\$ 6,061,486
Licenses and permits	305,638	0	0	0	0	305,638
Intergovernmental	319,543	0	0	0	0	319,543
Charges for services	97,181	0	0	0	0	97,181
Fines and forfeitures	626,720	0	0	0	0	626,720
Impact fees	25,311	0	0	0	70,117	95,428
Miscellaneous revenue	362,183	145,861	0	830,140	1,652	1,339,836
	<u>7,016,397</u>	<u>927,526</u>	<u>0</u>	<u>830,140</u>	<u>71,769</u>	<u>8,845,832</u>
<b>Expenditures</b>						
Current:						
General government	1,723,141	73,918	0	4,990	2,844	1,804,893
Public safety	1,494,314	0	0	0	0	1,494,314
Streets	598,888	0	0	0	0	598,888
Parks and recreation	468,195	0	0	0	0	468,195
Capital Outlay	2,200,324	0	0	0	826,159	3,026,483
Debt service:						
Principal retirement	0	226,000	2,877,639	0	0	3,103,639
Interest and fiscal charges	0	190,507	418,413	0	0	608,920
Cost of issuance	0	62,100	0	0	0	62,100
	<u>6,484,862</u>	<u>552,525</u>	<u>3,296,052</u>	<u>4,990</u>	<u>829,003</u>	<u>11,167,432</u>
Excess revenues over (under) expenditures	<u>531,535</u>	<u>375,001</u>	<u>(3,296,052)</u>	<u>825,150</u>	<u>(757,234)</u>	<u>(2,321,600)</u>
<b>Other financing sources (uses)</b>						
Other financing sources (uses)	0	3,095,000	1,492,000	0	0	4,587,000
Transfers in	384,654	6,097	1,805,398	57,637	1,000,000	3,253,786
Transfers out	(1,865,997)	(465,687)	(1,346)	(817,947)	0	(3,150,977)
Grants & contributions	(124,532)	0	0	0	0	(124,532)
	<u>(1,605,875)</u>	<u>2,635,410</u>	<u>3,296,052</u>	<u>(760,310)</u>	<u>1,000,000</u>	<u>4,565,277</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>(1,074,340)</u>	<u>3,010,411</u>	<u>0</u>	<u>64,840</u>	<u>242,766</u>	<u>2,243,677</u>
Fund balances - beginning of year	<u>5,229,924</u>	<u>984,712</u>	<u>0</u>	<u>354,233</u>	<u>1,141,707</u>	<u>7,710,576</u>
Fund balances - end of year	<u>\$ 4,155,584</u>	<u>\$ 3,995,123</u>	<u>\$ 0</u>	<u>\$ 419,073</u>	<u>\$ 1,384,473</u>	<u>\$ 9,954,253</u>

The accompanying notes are an integral part of these financial statements.  
See the accompanying independent auditor's report.

**LINDON CITY CORPORATION**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

Amounts reported for governmental activities in the statement of activities (page 19 ) are different because:

Net change in fund balance--total governmental funds (page 21 )	\$ 2,243,677
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,198,772
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	500,668
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,459,846)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,653)
	<hr/>
Change in net assets of governmental activities (page 19 )	<u><u>\$ 3,480,618</u></u>

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LINDON CITY CORPORATION  
GENERAL FUND  
**BUDGETARY COMPARISON STATEMENT - REVENUES**  
FOR THE YEAR ENDED JUNE 30, 2006

	Budget			
	Original	Final	Actual	Variance
<b>Revenues</b>				
Taxes:				
Property tax	\$ 887,386	\$ 958,000	\$ 956,974	\$ (1,026)
Fee in lieu	113,300	118,000	128,261	10,261
Tax redemption	87,500	91,000	104,495	13,495
Sales and use	2,500,000	3,000,000	3,109,284	109,284
Franchise	770,000	907,000	921,057	14,057
Innkeepers	500	250	340	90
Telephone tax	56,000	60,000	59,410	(590)
	<u>4,414,686</u>	<u>5,134,250</u>	<u>5,279,821</u>	<u>145,571</u>
Licenses and Permits:				
Business licenses	60,000	61,500	62,208	708
Building permits	220,000	200,000	213,927	13,927
Plan checking fees	23,000	23,000	23,412	412
Other licenses and permits	4,200	5,720	6,091	371
	<u>307,200</u>	<u>290,220</u>	<u>305,638</u>	<u>15,418</u>
Intergovernmental Revenue:				
Class "C" road fund allotment	290,000	312,000	312,322	322
State grant - trails	0	0	0	0
State liquor fund allotment	8,000	4,841	4,841	0
Other state grants	0	2,058	2,380	322
	<u>298,000</u>	<u>318,899</u>	<u>319,543</u>	<u>644</u>
Charges for Services:				
Zoning and development fees	29,500	51,900	51,537	(363)
Parks and recreation	28,650	30,950	27,683	(3,267)
Weed abatement	0	0	0	0
Burial and assessments	10,000	14,800	16,340	1,540
Traffic control signs	0	1,600	1,621	21
	<u>68,150</u>	<u>97,650</u>	<u>97,181</u>	<u>(2,090)</u>
Miscellaneous Revenue:				
Fines and forfeitures	476,000	596,000	626,720	30,720
Impact fees	0	25,300	25,311	11
Interest earnings	80,900	237,500	254,988	17,488
Miscellaneous	76,555	95,000	107,195	12,195
	<u>633,455</u>	<u>953,800</u>	<u>1,014,214</u>	<u>60,414</u>
Total revenues	<u>5,721,491</u>	<u>6,794,819</u>	<u>7,016,397</u>	<u>219,957</u>
<b>Other Financing Sources</b>				
Other financing sources (uses)	0	0	0	0
Operating transfers in	419,883	385,588	383,309	(2,279)
Total other financing sources	<u>419,883</u>	<u>385,588</u>	<u>383,309</u>	<u>(2,279)</u>
Total revenue & other financing sources	<u>\$ 6,141,374</u>	<u>\$ 7,180,407</u>	<u>\$ 7,399,706</u>	<u>\$ 217,678</u>

**LINDON CITY CORPORATION**  
**GENERAL FUND**  
**BUDGETARY COMPARISON STATEMENT - EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund by Character				
	Salaries & Wages	Employee Benefits	Materials, Supplies & Services	Capital Outlay	Debt Service
<b><u>Expenditures</u></b>					
General Government:					
Mayor and council	\$ 45,075	\$ 28,883	\$ 26,114	\$ 0	\$ 0
Judicial	81,857	45,447	355,118	0	0
Administrative	289,903	147,228	195,133	0	0
Elections	3,157	0	5,518	0	0
Buildings	0	0	70,081	154,324	0
Maintenance	0	0	0	0	0
Planning and zoning	80,525	40,601	308,501	0	0
	<u>500,517</u>	<u>262,159</u>	<u>960,465</u>	<u>154,324</u>	<u>0</u>
Public Safety:					
Law enforcement	0	0	994,672	0	0
Fire protection	0	0	164,521	0	0
Protective inspections	172,371	86,288	20,731	0	0
Animal control	0	0	55,731	0	0
	<u>172,371</u>	<u>86,288</u>	<u>1,235,655</u>	<u>0</u>	<u>0</u>
Street and Public Improvement:					
Streets	153,784	70,262	374,842	1,795,225	0
	<u>153,784</u>	<u>70,262</u>	<u>374,842</u>	<u>1,795,225</u>	<u>0</u>
Parks & Recreation:					
Parks	90,920	40,958	233,603	243,147	0
Cemetery	0	0	6,516	7,628	0
Recreation and culture	9,626	972	85,600	0	0
	<u>100,546</u>	<u>41,930</u>	<u>325,719</u>	<u>250,775</u>	<u>0</u>
Total expenditures	<u>927,218</u>	<u>460,639</u>	<u>2,896,681</u>	<u>2,200,324</u>	<u>0</u>
<b><u>Other Financing Uses</u></b>					
Transfer to other funds	0	0	1,865,997	0	0
Grants	0	0	1,300	0	0
Contributions	0	0	123,232	0	0
Total other financing uses	<u>0</u>	<u>0</u>	<u>1,990,529</u>	<u>0</u>	<u>0</u>
Total expenditures & other financing uses	<u>\$ 927,218</u>	<u>\$ 460,639</u>	<u>\$4,887,210</u>	<u>\$2,200,324</u>	<u>\$ -</u>

General Fund Totals

<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
<u>Original</u>	<u>Final</u>		
\$ 108,510	\$ 107,260	\$ 100,072	\$ 7,188
449,165	516,640	482,422	34,218
625,385	679,985	632,264	47,721
4,950	8,750	8,675	75
338,300	236,300	224,405	11,895
0	0	0	0
360,680	461,280	429,627	31,653
<u>1,886,990</u>	<u>2,010,215</u>	<u>1,877,465</u>	<u>132,750</u>
982,464	995,085	994,672	413
167,672	165,448	164,521	927
304,215	304,815	279,390	25,425
58,593	58,893	55,731	3,162
<u>1,512,944</u>	<u>1,524,241</u>	<u>1,494,314</u>	<u>29,927</u>
<u>1,027,000</u>	<u>3,518,850</u>	<u>2,394,113</u>	<u>1,124,737</u>
<u>1,027,000</u>	<u>3,518,850</u>	<u>2,394,113</u>	<u>1,124,737</u>
818,310	648,260	608,628	39,632
48,735	18,730	14,144	4,586
105,969	103,090	96,198	6,892
<u>973,014</u>	<u>770,080</u>	<u>718,970</u>	<u>51,110</u>
<u>5,399,948</u>	<u>7,823,386</u>	<u>6,484,862</u>	<u>1,338,524</u>
1,471,798	1,884,842	1,865,997	18,845
1,500	1,500	1,300	200
160,062	136,600	123,232	13,368
<u>1,633,360</u>	<u>2,022,942</u>	<u>1,990,529</u>	<u>32,413</u>
<u>\$ 7,033,308</u>	<u>\$ 9,846,328</u>	<u>\$ 8,475,391</u>	<u>\$ 1,370,937</u>

LINDON CITY CORPORATION  
**GENERAL FUND**  
**BUDGETARY COMPARISON STATEMENT - REVENUES & EXPENDITURES**  
 FOR THE YEAR ENDED JUNE 30, 2006

	Budget		Actual	Variance
	Original	Final		
Revenues	\$ 5,721,491	\$ 6,794,819	\$7,016,397	\$ 221,578
Expenditures	<u>(5,399,948)</u>	<u>(7,823,386)</u>	<u>(6,484,862)</u>	<u>1,338,524</u>
Excess of revenues over expenditures	<u>321,543</u>	<u>(1,028,567)</u>	<u>531,535</u>	<u>1,560,102</u>
<b>Other Financing Sources and (Uses)</b>				
Other financing sources (uses)	0	0	0	0
Operating transfers in	419,883	385,588	383,309	(2,279)
Operating transfers out	(1,471,798)	(1,884,842)	(1,865,997)	18,845
Grants & contributions	<u>(161,562)</u>	<u>(138,100)</u>	<u>(124,532)</u>	<u>13,568</u>
Total other financing sources and (uses)	<u>(1,213,477)</u>	<u>(1,637,354)</u>	<u>(1,607,220)</u>	<u>30,134</u>
Excess (deficit) of revenues & other financing sources over expenditures & uses	<u>\$ (891,934)</u>	<u>\$ (2,665,921)</u>	<u>(1,075,685)</u>	<u>\$ 1,590,236</u>
Fund balance, July 1			<u>5,229,924</u>	
Fund balance, June 30			<u>\$4,154,239</u>	



LINDON CITY CORPORATION  
SPECIAL REVENUE REDEVELOPMENT AGENCY (R.D.A.) FUND  
BUDGETARY COMPARISON STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2006

	Budget		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Tax increment	\$ 755,000	\$ 781,665	\$ 781,665	\$ 0
Interest income	24,000	82,000	145,091	63,091
Other income	0	0	770	770
	<u>779,000</u>	<u>863,665</u>	<u>927,526</u>	<u>63,861</u>
<b>Expenditures</b>				
Salaries & wages	0	0	0	0
Employee benefits	0	0	0	0
Materials, supplies & services	86,900	76,088	73,918	(2,170)
Capital outlay	0	0	0	0
Debt service			0	0
Principal	0	3,032,900	226,000	(2,806,900)
Interest	0	0	190,507	190,507
Cost of issuance	0	62,100	62,100	0
	<u>86,900</u>	<u>3,171,088</u>	<u>552,525</u>	<u>(2,618,563)</u>
Excess (deficit) of revenues over expenditures	<u>692,100</u>	<u>(2,307,423)</u>	<u>375,001</u>	<u>2,682,424</u>
<b>Other Financing Sources and (uses)</b>				
Bond refunding proceeds	0	3,095,000	3,095,000	0
Operating transfers in	8,000	8,000	6,097	(1,903)
Operating transfers out	(585,320)	(465,687)	(465,687)	0
	<u>(577,320)</u>	<u>2,637,313</u>	<u>2,635,410</u>	<u>(1,903)</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>\$ 114,780</u>	<u>\$ 329,890</u>	<u>3,010,411</u>	<u>\$ 2,680,521</u>
Fund balance, July 1			<u>984,712</u>	
Fund balance, June 30			<u>\$ 3,995,123</u>	

**LINDON CITY CORPORATION**  
**BALANCE SHEET**  
**PROPRIETARY FUNDS**  
June 30, 2006

	Business-Type Activities - Enterprise Funds				
	Water	Waste Water	Storm Water	Non-major funds Solid Waste	Total
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 0	\$ 271,459	\$ 407,403	\$ 10,849	\$ 689,711
Cash and cash equivalents-restricted	813,696	342,460	191,177	0	1,347,333
Accounts receivable - net	139,172	84,842	22,120	30,122	276,256
Other receivables	11,188	22,033	79	0	33,300
Due from other funds	0	297,387	0	0	297,387
Total current assets	964,056	1,018,181	620,779	40,971	2,643,987
Noncurrent assets:					
Capital Assets					
Land	428,610	107,392	332,463	0	868,465
Water stock and rights	12,796,448	0	0	0	12,796,448
Water distribution system	10,669,806	0	0	0	10,669,806
Waste water collection system	0	5,450,057	0	0	5,450,057
Storm water drainage system	0	0	7,332,662	0	7,332,662
Machinery and equipment	136,714	577,584	11,616	0	725,914
Vehicles	102,628	23,239	19,851	0	145,718
Less: Accumulated depreciation	(3,676,713)	(2,120,816)	(1,105,504)	0	(6,903,033)
Net capital assets	20,457,493	4,037,456	6,591,088	0	31,086,037
Costs of issuance	6,749	0	13,216	0	19,965
Total noncurrent assets	20,464,242	4,037,456	6,604,304	0	31,106,002
Total assets	21,428,298	5,055,637	7,225,083	40,971	33,749,988
<b>Liabilities and Net Assets</b>					
Liabilities:					
Current liabilities:					
Accounts payable	76,181	74,685	33,910	22,583	207,359
Accrued compensate absences	10,399	10,737	3,563	0	24,699
Deposits	3,000	0	0	0	3,000
Due to other funds	297,387	0	150,000	0	447,387
Deferred revenue	8,900	0	0	0	8,900
Accrued interest payable	15,907	4,626	2,099	0	22,632
Current portion of long term debt	369,672	57,051	24,816	0	451,539
Total current liabilities	781,446	147,099	214,388	22,583	1,165,516
Noncurrent liabilities:					
Accrued compensate absences	20,768	25,138	4,997	0	50,903
Bonds payable	8,612,240	120,864	646,720	0	9,379,824
Total noncurrent liabilities	8,633,008	146,002	651,717	0	9,430,727
Total liabilities	9,414,454	293,101	866,105	22,583	10,596,243
Net Assets:					
Invested in capital assets, net of related debt	11,466,423	3,854,915	5,930,669	0	21,252,007
Restricted for impact fees	55,254	362,444	0	0	417,698
Unrestricted	492,167	545,177	428,309	18,388	1,484,041
Total net assets	12,013,844	4,762,536	6,358,978	18,388	23,153,745
Total Liabilities and Net Assets	\$ 21,428,298	\$ 5,055,637	\$ 7,225,083	\$ 40,971	\$ 33,749,988

LINDON CITY CORPORATION  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
FOR THE YEAR ENDED JUNE 30, 2006

	Business-Type Activities - Enterprise Funds				Total
	Water	Waste Water	Storm Water	Non-major Funds Solid Waste	
<b><u>Operating revenues</u></b>					
Service fees	\$ -	\$ 775,612	\$ 225,840	\$ 278,122	\$ 1,279,574
Service fees - pledged as security for revenue bonds	1,195,729	0	0	0	1,195,729
Other fees	35,044	52,797	8,032	0	95,873
Impact fees	78,201	179,275	73,624	0	331,100
Impact fees - interest	2,845	18,150	0	0	20,995
Miscellaneous	226,596	55	7	0	226,658
	<u>1,538,415</u>	<u>1,025,889</u>	<u>307,503</u>	<u>278,122</u>	<u>3,149,929</u>
<b><u>Operating expenses</u></b>					
Salaries and wages	187,724	132,618	50,564	0	370,906
Employee benefits	96,704	75,332	32,455	0	204,491
Materials, supplies and services	366,082	410,566	61,668	269,768	1,108,084
Depreciation	236,988	126,901	169,652	0	533,541
	<u>887,498</u>	<u>745,417</u>	<u>314,339</u>	<u>269,768</u>	<u>2,217,022</u>
Operating income	<u>650,917</u>	<u>280,472</u>	<u>(6,836)</u>	<u>8,354</u>	<u>932,907</u>
<b><u>Nonoperating revenues (expenses)</u></b>					
Interest revenue	22,643	115	14,587	0	37,345
Interest expense	(53,444)	(4,626)	(26,045)	0	(84,115)
Gain (loss) on disposal of fixed assets	(2,553)	70,000	302	0	67,749
Total nonoperating revenue(expenses)	<u>(33,354)</u>	<u>65,489</u>	<u>(11,156)</u>	<u>0</u>	<u>20,979</u>
Income before contributions and transfers	<u>617,563</u>	<u>345,961</u>	<u>(17,992)</u>	<u>8,354</u>	<u>953,886</u>
Capital contributions	619,588	153,216	166,240	0	939,044
Transfers in	0	59,389	250,000	0	309,389
Transfers out	<u>(228,548)</u>	<u>(118,209)</u>	<u>(54,609)</u>	<u>(10,832)</u>	<u>(412,198)</u>
Change in net assets	<u>1,008,603</u>	<u>440,357</u>	<u>343,639</u>	<u>(2,478)</u>	<u>1,790,121</u>
Total net assets - beginning	<u>11,005,241</u>	<u>4,322,179</u>	<u>6,015,339</u>	<u>20,866</u>	<u>21,363,625</u>
Total net assets - ending	<u>\$12,013,844</u>	<u>\$ 4,762,536</u>	<u>\$ 6,358,978</u>	<u>\$ 18,388</u>	<u>\$ 23,153,746</u>

LINDON CITY CORPORATION  
STATEMENT OF CASHFLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2006

	Business-Type Activities - Enterprise Funds				Total
	Water	Waste Water	Storm Water	Non-Major Solid Waste	
<b>Cash Flows From Operating Activities</b>					
Receipts from customers	\$ 1,560,222	\$ 1,026,507	\$ 307,701	\$ 280,999	\$ 3,175,429
Payments to suppliers	(418,036)	(460,663)	(77,501)	(269,118)	(1,225,318)
Payments to employees	(188,043)	(126,734)	(47,296)	0	(362,073)
Deposits received	1,500	0	0	0	1,500
Net cash provided (used) by operating activities	955,643	439,110	182,904	11,881	1,589,538
<b>Cash Flows From Noncapital Financing Activities</b>					
Payments and loans from other funds	(207,119)	207,119	0	0	0
Transfer from (to) other funds	(228,548)	(58,820)	195,391	(10,832)	(102,809)
Net cash provided (used) by noncapital financing activities	(435,667)	148,299	195,391	(10,832)	(102,809)
<b>Cash Flows From Capital and Related Financing Activities</b>					
Purchases of capital assets	(529,054)	(683,052)	(803,901)	0	(2,016,007)
Proceeds from the issuance of debt	256,000	0	0	0	256,000
Principal paid on capital debt	(341,933)	0	(23,369)	0	(365,302)
Interest paid on capital debt	(56,820)	0	(26,084)	0	(82,904)
Proceeds from the sale of capital assets	13,538				13,538
Net cash provided (used) by capital and related financing activities	(658,269)	(683,052)	(853,354)	0	(2,194,675)
<b>Cash Flows From Investing Activities</b>					
Interest and dividends received	22,643	115	14,587	0	37,345
Purchase of investments	0	0	0	0	0
Net cash provided (used) by investing activities	22,643	115	14,587	0	37,345
Net increase (decrease) in cash and cash equivalents	(115,650)	(95,528)	(460,472)	1,049	(670,601)
Cash and cash equivalents - beginning	929,346	709,447	1,059,052	9,800	2,707,645
Cash and cash equivalents (deficit) - end	\$ 813,696	\$ 613,919	\$ 598,580	\$ 10,849	\$ 2,037,044
<b>Cash and cash equivalents:</b>					
Unrestricted	\$ 0	\$ 271,459	\$ 407,403	\$ 10,849	\$ 689,711
Restricted	813,696	342,460	191,177	0	1,347,333
Total	\$ 813,696	\$ 613,919	\$ 598,580	\$ 10,849	\$ 2,037,044

LINDON CITY CORPORATION  
STATEMENT OF CASHFLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

(continued from page 22)

	Business-Type Activities - Enterprise Funds				Total
	Water	Waste Water	Storm Water	Non-Major Solid Waste	
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income	\$ 650,917	\$ 280,472	\$ (6,836)	\$ 8,354	\$ 932,907
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	236,988	126,901	169,652	0	533,541
Noncash contributions	0	0	0	0	0
(Inc)/decrease in accounts rec.	22,566	45	277	2,877	25,765
(Inc)/decrease in other receiv.	1,171	573	(79)	0	1,665
Increase (decr.) in accounts payable	44,750	25,235	16,622	650	87,257
Increase (decr.) in accrued payroll	(319)	5,884	3,268	0	8,833
Increase (decr.) in deposits	1,500	0	0	0	1,500
Increase (decr.) in deferred revenue	(1,930)	0	0	0	(1,930)
Total adjustments	304,726	158,638	189,740	3,527	656,631
Net cash provided (used) by operating activities	\$ 955,643	\$ 439,110	\$ 182,904	\$ 11,881	\$ 1,589,538

LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

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LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Lindon City Corporation was incorporated on November 8, 1951, as a third class city, under the provisions of the Utah State Code.

The City operates under a Mayor-Council form of government and provides services authorized by its charter, including public safety, (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Some of these services are provided under contract with other entities.

B. Reporting Entity

Lindon City Corporation is a political subdivision of the State of Utah. It is governed by an elected mayor and five council members. The accompanying financial statements present the financial position of the various fund types and account groups, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of and for the year ended June 30, 2006.

For financial reporting purposes, Lindon City Corporation has included all funds, account groups, and component units. The City has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria in GASB Statement No. 14 to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose financial burdens on the City.

As required by generally accepted accounting principles, this report presents the financial information of both Lindon City Corporation (the primary government) and its component units. The component units are included in the City's reporting entity because of the significance of the component unit's operational or financial relationships with the City.

Blended Component Units

These component units are entities, which are legally separate from the City, but are so intertwined with the City that they are, in substance, the same as the City. They have the same governing board and provides services almost entirely to Lindon City. They are reported as funds of the City. These organizations for which Lindon City is financially accountable, and the relationship with Lindon City is significant enough that exclusion would possibly lead to misleading or incomplete financial statements. To obtain separate individual component unit financial statements please send requests to Lindon City, c/o the City Administrator, 100 North State Street, Lindon, Utah 84042.

LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lindon City Redevelopment Agency. The Agency was established for the purpose of aiding and cooperating in the planning, undertaking, construction, or operation of redevelopment and economic development projects within the area in which it is authorized to act. The Agency is reported as a special revenue fund.

Municipal Building Authority of Lindon City, Utah. The building authority was created on March 14, 1997 under the provisions of the Utah Municipal Building Authority Act. The object and purposes are to acquire, improve, or extend one or more projects and to finance their costs on behalf of the City in accordance and subject to the limitations of the Utah Municipal Building Authority Act and subject to prior authorization by the governing body of the City. The Building Authority activity is reported in the debt service fund.

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of balance sheet and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

The state of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.



LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Redevelopment Agency special revenue fund reports the activities of the Agency as described above.

The Debt Service fund reports the payments of long term debt.

The Special Improvement District capital projects fund reports the projects of the S.I.D.

The government reports the following major proprietary funds:

The water fund accounts for the activities of the city's water utility. The city operates a water distribution system.

The waste water fund accounts for the activities of the city's sewer utility.

The storm water fund accounts for the activities of the city's storm drain utility.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and various other functions of the government. Elimination of these charges would distort direct costs and program revenues reported for the various functions concerned.

LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water enterprise fund and the ice sheet enterprise fund are charges for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Assets, Liabilities, and Net Assets

1. Deposits and Investments

Cash and cash equivalents consists of amounts in demand and certificates of deposit and all highly liquid investments maturing within three months. Cash balances are invested to the extent available.

Investments include obligations of the U.S. Treasury, commercial paper, corporate bonds and purchase agreements. Investments are stated at cost or amortized cost.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of an allowance for uncollectible.

3. Restricted Assets

Cash and investments are often restricted to a particular use due to statutory, budgetary or legal requirements and are therefore classified as "restricted" on the City's balance sheets.

4. Capital Assets

Capital assets, which include property, land, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-

LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, and Net Assets (Continued)

wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets (equipment 5-50 years).

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the income for the period.

5. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term account group. No expenditure is reported for these amounts. Vested or accumulated vacation leave for proprietary funds is recorded as an expense and a liability as the benefits accrue to employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulated rights to receive sick pay benefits.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose or tentative management plans that are subject to change.

LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Tax

Property taxes are levied on January 1, giving the City legal claim on that date. The taxes are due on November 1 and are delinquent after November 30 of each year. Property taxes are collected by the Utan County Treasurer and remitted to the City shortly after collection. The uncollected, measurable amounts have been accrued as deferred revenue.

G. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and temporary investment transactions. The Money Management Act also defined the types of securities allowed as appropriate temporary investments for the City and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Custodial Credit Risk - Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The Money Management Act requires that deposits be in a qualified depository whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the primary government at June 30, 2006 were \$5,141,479. Of these, \$4,941,479 were exposed to custodial credit risk as uninsured and uncollateralized.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment. The city does not have a formal policy for custodial credit risk.

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**LINDON CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

As of June 30, 2006 the city had the following investments

	Investment Maturities (in years)		
	Fair Value	Less Than 1	More Than 1
Utah Public Treasurer's Investment Fund	\$ 7,983,437	\$ 7,983,437	\$ 0
	<u>\$ 7,983,437</u>	<u>\$ 7,983,437</u>	<u>\$ 0</u>

There is no material difference between the fair values and carrying amounts of the State Treasurer's Pool shares (at June 30, 2006 fair value per share factor is 0.999680).

As of June 30, 2006 the City had the following deposits and investments

Amounts per Financial Institution and Reconciling Items

Deposits	\$ 5,141,480
Deposits in transit	44,835
Outstanding checks	(18,782)
Cash on hand	975
Investment in State Treasurer's Pool	7,983,437
	<u>\$ 13,151,945</u>

Amounts per Balance Sheet

Cash and cash equivalents	\$ 6,185,291
Cash and cash equivalents - restricted	6,966,654
Total	<u>\$ 13,151,945</u>

**NOTE 3 - RECEIVABLES - OTHER**

Other receivables at June 30, 2006 consists of the following:

	Governmental Activities	Business type Activities	Total 2006
Franchise taxes	\$ 52,146	\$ 0	\$ 52,146
Tax increment	1,297	0	1,297
Cemetery	879	0	879
Miscellaneous	3,959	33,300	37,259
S.I.D. assessments	46,572	0	46,572
Weed abatement	5,320	0	5,320
	<u>\$ 110,173</u>	<u>\$ 33,300</u>	<u>\$ 143,473</u>

**LINDON CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 4 - GENERAL FIXED ASSETS**

The following is a summary of changes in the governmental activities:

	Beginning Balance 7/1/2005	Additions	Retirements	Accumulated Depreciation	Ending Balance 6/30/2006
Capital assets not being depreciated:					
Land	\$ 2,644,831	\$ 701,163	\$ 0	\$ 0	\$ 3,345,994
Capital assets being depreciated:					
Buildings	2,032,886	79,320	0	(393,580)	1,718,626
Infrastructure	19,684,973	2,567,695	0	(8,499,383)	13,753,285
Improvements	583,341	108,990	0	(489,574)	202,757
Equipment	918,749	48,843	(1,644)	(771,553)	194,395
Vehicles	298,894	21,139	(12,465)	(240,716)	66,852
	<u>23,518,843</u>	<u>2,825,987</u>	<u>(14,109)</u>	<u>(10,394,806)</u>	<u>15,935,915</u>
Total	<u>\$ 26,163,674</u>	<u>\$ 3,527,150</u>	<u>\$ (14,109)</u>	<u>\$ (10,394,806)</u>	<u>\$ 19,281,909</u>

The following is a summary of changes in the business-type activities:

	Beginning Balance 7/1/2005	Additions	Retirements	Accumulated Depreciation	Ending Balance 6/30/2006
Capital assets not being depreciated:					
Land	\$ 868,465	\$ 0	\$ 0	\$ 0	\$ 868,465
Water Stock	12,356,523	439,925	0	0	12,796,448
	<u>13,224,988</u>	<u>439,925</u>	<u>0</u>	<u>0</u>	<u>13,664,913</u>
Capital assets being depreciated:					
Water System	10,002,842	669,541	(2,577)	(3,502,916)	7,166,890
Sewage System	4,731,564	718,493	0	(1,897,253)	3,552,804
Drain System	6,393,988	958,245	(19,571)	(1,105,489)	6,227,173
Equipment	501,182	380,181	(155,449)	(284,044)	441,870
Vehicles	103,104	42,614	0	(113,331)	32,387
	<u>21,732,680</u>	<u>2,769,074</u>	<u>(177,597)</u>	<u>(6,903,033)</u>	<u>17,421,124</u>
Total	<u>\$ 34,957,668</u>	<u>\$ 3,208,999</u>	<u>\$ (177,597)</u>	<u>\$ (6,903,033)</u>	<u>\$ 31,086,037</u>

LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 5 - LONG-TERM DEBT

Descriptions of long-term debt follow:

Business type activities.

The Utah Irrigation Water Revenue Bonds Series 1992 consisted of \$3,385,000 in debt issued with coupons ranging from 1.5 to 6.95%. The proceeds were used to finance construction of a secondary - irrigation water system. The principal outstanding at June 30, 2006 was \$219,000 with interest requirements totaling \$10,935.

The Water Revenue Bonds Series 1994, Lindon City, Utah consisted of \$1,404,000 in debt issued to finance additions and improvements to the culinary water system. Debt service payments are made annually with interest at 2.5%. The principal outstanding at June 30, 2006 was \$764,000 with interest requirements totaling \$56,225.

The Water Revenue Bonds Series 2006, Lindon City, Utah consisted of \$256,000 in debt issued to finance replacement of the waterline along 400 North Street. Debt service payments are made annually with interest at 5.0%. The full principal amount was still outstanding at June 30, 2006 with interest requirements totaling \$79,301.

The City entered into an agreement with the Central Utah Water Conservancy District (CUWCD) for a Central Utah Projects (CUP) Revenue Bond in August of 1997 for rights to 1,425 acre feet of water per year for 50 years starting in 1998 at an estimated cost of \$160 per acre foot. The City is deferring payments for 10 years, amortizing the payments over forty years. In January 2000, the City received a grant of \$1,899,011 from CUWCD. As part of the terms of the grant, the City gave back rights to 500 acre feet, leaving the City with rights to 925 acre feet per year. The estimated principal balance at June 30, 2006 was \$7,400,000.

The Sales Tax Revenue Bonds Series 2005 was issued for \$3,700,000. Debt service payments are made annually with interest at 3.75%. The liability is split between Governmental and Proprietary funds in order to help finance the road, water and storm drain improvements of 700 North west of Geneva Road. The principal outstanding at June 30, 2006 for the Water portion of this debt was \$342,912 with interest requirements totaling \$141,647 and for the Storm Water portion was \$671,536 with interest requirements totaling \$277,391.69.

Lindon City took a bank note in 2005 for \$177,915 to finance the purchase a sewer vactor truck. Debt service payments are made annually with interest at 3.9%. The full principal amount was still outstanding at June 30, 2006 with interest requirements totaling \$14,055.

Governmental activities.

The Excise Tax Road Bonds, Series 1998, Lindon City, Utah were issued October 8, 1998 in the amount of \$1,545,000 with a coupon rate of 4.10%. The proceeds were used for additions, repairs and improvements to Class C roads within Lindon City. The principal outstanding at June 30, 2006 was \$400,000 with interest requirements totaling \$20,746.

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LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 5 - LONG-TERM DEBT (Continued)

The Lindon City Redevelopment Agency, Utah Neighborhood Redevelopment Tax Increment Revenue Bonds, Series 2005 were issued by the Lindon City Redevelopment Agency in the amount of \$3,095,000 with a coupon rate of 3.92%. The proceeds were deposited in an escrow account to be used to refund the Series 1999 bonds per their bond call requirements. The Series 1999 bonds were in the amount of \$2,760,000 were not paid off until December 2006. The principal outstanding on the Series 2005 bonds at June 30, 2006 was \$2,805,000 with interest requirements totaling \$607,796. Although it is included in the general long-term debt account group of Lindon City for reporting purposes, Lindon City has no obligation to repay these bonds. The bonds are repaid from the tax increment revenue of the Redevelopment Agency.

The Municipal Building Authority of Lindon City, Utah Lease Revenue Refunding Bonds, Series 1999 were issued January 26, 1999 in the amount of \$897,000 with a coupon rate ranging from 4.0 to 4.65%. The proceeds were used to refund the Municipal Building Authority of Lindon, Utah Lease Revenue Bonds, Series 1996 which were used to construct the Lindon City Offices. The principal outstanding at June 30, 2006 for the Series 1999 Bonds was \$139,000 with interest requirements totaling \$3,232.

The Municipal Building Authority of Lindon City, Utah Lease Revenue Refunding Bonds, Series 2005 were issued in the amount of \$1,492,000 with a coupon rate of 3.58%. The proceeds were used to refund the Municipal Building Authority of Lindon City, Utah Lease Revenue Bond (Capital Appreciation Bond) Series 2000B which were issued in exchange for right-of-way property for a new interchange constructed by Utah Department of Transportation on Interstate 15. The full principal was still outstanding at June 30, 2006 with interest requirements totaling \$137,365.

The Special Improvement District Bonds (Lindon Gateway Project) No. 00-01 Series 2001 in the amount of \$2,400,000 were issued in July 2001 with a coupon rate of 5.60%. The proceeds were used to fund special improvements that benefitted property owners in the Lindon Gateway Project area. The property owners are assessed annually to retire the bonds. The principal outstanding at June 30, 2006 was \$591,000 with interest requirements totaling \$136,808.

The Sales Tax Revenue Bonds Series 2005 was issued for \$3,700,000. Debt service payments are made annually with interest at 3.75%. The liability is split between Governmental and Proprietary funds in order to help finance the road, water and storm drain improvements of 700 North west of Geneva Road. The principal outstanding at June 30, 2006 for the Road portion of this debt was \$2,557,552 with interest requirements totaling \$1,056,449.

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LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 5 - LONG-TERM DEBT (continued)

Long-term debt consists of the following at June 30, 2006:

Governmental activities:

Revenue Bonds

Road Bonds - 98 Excise Tax	\$ 400,000
RDA Revenue - Series 1999	2,760,000
RDA Revenue - Series 2005	2,805,000
MBA Lease Bonds - Series 1999	139,000
MBA Revenue - Series 2005	1,492,000
Sales Tax Revenue Bonds - Series 2005	2,557,552
Cost of Issuance	(50,335)
	<u>10,103,217</u>

Notes Payable

SID 2000-1 - Gateway	591,000
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Total Bonds and Notes Payable	<u>10,694,217</u>
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Compensated Absences

Total	<u>106,994</u>
	<u>\$ 10,801,211</u>

Business-type activities:

Revenue Bonds

Irrigation Water Revenue Bonds	\$ 219,000
Culinary Water Revenue Bonds	764,000
Water Revenue Bonds 2006	256,000
CUP Revenue Bonds	7,400,000
Sales Tax Revenue Bonds - Water	342,912
Cost of Issuance - Water	(6,749)
Sales Tax Revenue Bonds - Storm Water	671,536
Cost of Issuance - Storm Water	(13,216)
	<u>9,633,483</u>

Notes Payable

Western Community Bank -	
Vactor Truck - 2005	177,915

Total Bonds and Notes Payable	<u>9,811,398</u>
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Compensated Absences

Total	<u>75,602</u>
	<u>\$ 9,887,000</u>

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**LINDON CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 5 - LONG-TERM DEBT (Continued)**

The following is a schedule of bond & note maturities by year:

	Interest	Principal	Total
<b>Governmental activities:</b>			
2007	\$ 304,094	\$ 3,750,810	\$ 4,054,904
2008	267,045	915,390	1,182,435
2009	231,649	807,030	1,038,679
2010	200,806	792,266	993,072
2011	169,170	822,906	992,076
2012-2016	512,025	2,225,522	2,737,547
2017-2021	213,326	740,523	953,849
2022-2026	64,279	690,105	754,384
Total	<u>\$ 1,962,394</u>	<u>\$ 10,744,552</u>	<u>\$ 12,706,946</u>
<b>Business-type activities:</b>			
2007	\$ 78,668	\$ 451,657	\$ 530,325
2008	69,679	458,656	528,335
2009	61,010	481,429	542,439
2010	51,697	457,590	509,287
2011	43,794	342,155	385,949
2012-2016	163,016	1,305,846	1,468,862
2017-2021	86,194	1,250,301	1,336,495
2022-2026	25,496	1,198,729	1,224,225
2027-2031	0	925,000	925,000
2032-2036	0	925,000	925,000
2037-2041	0	925,000	925,000
2042-2046	0	925,000	925,000
2047-2051	0	185,000	185,000
Total	<u>\$ 579,554</u>	<u>\$ 9,831,363</u>	<u>\$ 10,410,917</u>

During the year ended June 30, 2006, the following changes occurred in liabilities reported in the:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds	\$ 7,822,168	\$ 4,587,000	\$ (2,305,951)	10,103,217	\$ 3,694,512
Notes payable	1,386,039	0	(795,039)	591,000	56,000
Subtotal	9,208,207	4,587,000	(3,100,990)	10,694,217	3,750,512
Compensated absences	104,370	2,624	0	106,994	38,892
Total	<u>\$ 9,312,577</u>	<u>\$ 4,589,624</u>	<u>\$ (3,100,990)</u>	<u>\$ 10,801,211</u>	<u>\$ 3,789,404</u>
<b>Business-type activities:</b>					
Revenue bonds	\$ 9,742,784	\$ 256,000	\$ (365,301)	\$ 9,633,483	\$ 394,488
Notes payable	0	177,915	0	177,915	57,051
Subtotal	9,742,784	433,915	(365,301)	9,811,398	451,539
Compensated absences	66,769	8,833	0	75,602	24,699
Total	<u>\$ 9,809,553</u>	<u>\$ 442,748</u>	<u>\$ (365,301)</u>	<u>\$ 9,887,000</u>	<u>\$ 476,238</u>

LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**NOTE 6 - RESTRICTED NET ASSETS AND RESERVED FUND BALANCES**

**Restricted Net Assets**

Governmental activities restrictions on net assets:

Unspent B&C Road funds	\$ 487,481
Road Impact Fees	\$ 11,104
Park Impact Fees	\$ 77,412
Total Impact Fees	<u>\$ 88,516</u>
Debt Service	\$ 3,287,343

Business type activities restrictions on net assets:

Water Impact Fees	\$ 55,254
Waste Water Impact Fees	\$ 362,444
Total Impact Fees	<u>\$ 417,698</u>

**Governmental Funds Reserved Fund Balances**

General Fund Reservations	
Unspent B&C Road funds	\$ 487,481
Road Impact Fees	\$ 11,104
Improvements	\$ 1,126,294
Debt Service	\$ 181,619
Special Revenue Fund Reservations	
RDA improvements	
State Street, West Side, and District 3	\$ 889,399
Debt Service	\$ 3,105,724
Capital Projects Fund Reservations	
Park Impact Fees	\$ 77,412

**NOTE 7 - RETIREMENT PLANS**

**Cost-Sharing Multi-Employer Defined Benefits Pension Plan**

**Plan Description**

The City contributes to the Local Governmental Contributory Retirement System (Contributory System) and Local Government Noncontributory Retirement System (Noncontributory System), both of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost-of-living allowances, death benefits, and

LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 7 - RETIREMENT PLANS (Continued)

refunds to plan members and beneficiaries in accordance with statutes established and amended by the Utah State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the Noncontributory System, the City is required to contribute 11.090% of their annual covered salary. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49 of the Utah Code Annotated 1953.

The City contributions to the various systems for the years ending June 30, 2006, 2005, and 2004 respectively were; for the Noncontributory System, \$133,463, \$116,225, and \$91,052. The contributions were equal to the required contributions for each year.

Defined Contribution Plan

The City participates in a 401(k) plan managed by the Utah State Retirement System (Systems). All full-time regular employees are eligible to participate in this plan. Although not required by the Systems to contribute to the 401(k), the City contributed 4.5% of salaries for the year ended June 30, 2006. The City contributions for the years ending June 30, 2006, 2005 and 2004 respectively were \$52,561, \$36,955, and \$33,705. Employee contributions for the years ending June 30, 2006, 2005 and 2004 respectively were \$79,939, \$67,129, and \$44,209.

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**LINDON CITY CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**NOTE 8 - ENTERPRISE FUND - SEGMENT INFORMATION**

Lindon City Corporation issued revenue bonds to finance its water fund and storm water fund. Investors in these revenue bonds rely solely on the revenue generated by fees from the water fund and the storm water fund. Summary financial information for the water fund and storm water fund is presented below.

<b>Condensed Statement of Net Assets</b>	<b>Water</b>	<b>Storm Water</b>
Assets		
Current assets	\$ 964,056	\$ 620,779
Capital assets	20,464,242	6,604,304
Total assets	<u>\$ 21,428,298</u>	<u>\$ 7,225,083</u>
Liabilities and Net Assets		
Liabilities		
Current liabilities	\$ 484,059	\$ 64,388
Due to other funds	297,387	150,000
Noncurrent liabilities	8,633,008	651,717
Total liabilities	<u>9,414,454</u>	<u>866,105</u>
Net assets		
Invested in capital assets, net of related debt	11,466,423	5,930,669
Restricted	55,254	0
Unrestricted	492,167	428,309
Total net assets	<u>12,013,844</u>	<u>6,358,978</u>
Total liabilities and net assets	<u>\$ 21,428,298</u>	<u>\$ 7,225,083</u>

<b>Condensed Statement of Revenues, Expenses and changes in Net Assets</b>		
Revenue (pledged against bonds)	\$ 1,195,729	\$ 225,840
Other operating revenue	342,686	81,663
Operating revenues	<u>1,538,415</u>	<u>307,503</u>
Operating expenses	(650,510)	(144,687)
Depreciation	(236,988)	(169,652)
Operating income (loss)	<u>650,917</u>	<u>(6,836)</u>
Non-operating income	20,090	14,889
Interest expense	(53,444)	(26,045)
Capital contributions	619,588	166,240
Operating transfers in (out)	(228,548)	195,391
Change in net assets	<u>1,008,603</u>	<u>343,639</u>
Total net assets - beginning	11,005,241	6,015,339
Total net assets - ending	<u>\$ 12,013,844</u>	<u>\$ 6,358,978</u>

<b>Condensed Statement of Cash Flows</b>		
Net cash provided by:		
Operating activities	\$ 955,643	\$ 182,904
Noncapital financing activities	(435,667)	195,391
Capital and related financing activities	(658,269)	(853,354)
Investing activities	22,643	14,587
Net increase (decrease)	<u>(115,650)</u>	<u>(460,472)</u>
Cash and cash equivalents - beginning	929,346	1,059,052
Cash and cash equivalents - ending	<u>\$ 813,696</u>	<u>\$ 598,580</u>

LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 9 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in accordance with Utah Code in establishing the budgetary data reflected in the financial statements:

On or before the first regularly scheduled meeting of the Mayor and City Council in May, the treasurer prepares a tentative budget for the ensuing fiscal year.

The tentative budget as adopted by the Mayor and City Council is then made available to the public for inspection for a period of at least ten days prior to the adoption of the final budget.

Prior to June 22, the budget is legally enacted through passage of a resolution.

The City Council approves, by resolution, total budget appropriations only. The city treasurer is authorized to transfer any unexpended appropriation balances from one expenditure account to another within departments during the budget year. The originally adopted budget may be amended during the year. The City Council by resolution may transfer any unexpended appropriation balance from one department to another within the same fund. In order to increase expenditures in any fund the City must hold a public hearing in addition to passing a resolution.

Unused appropriations for all annually budgeted funds lapse at the end of the fiscal year on June 30.

Unused capital project fund appropriations are carried into the subsequent fiscal year.

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LINDON CITY CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

NOTE 10 - REDEVELOPMENT AGENCY REQUIRED DISCLOSURES

For the year ended June 30, 2006, the following activity occurred in the Lindon City Redevelopment Agency:

Tax increment collected from other taxing agencies for Project Area:

State Street	\$127,726
West Side	85,149
District # 3	568,790
Total	<u>\$781,665</u>

Tax increment paid to other taxing agencies	\$32,303
Outstanding loans to finance RDA projects	\$2,805,000
Amounts expended for acquisition of property	\$0
Amounts expended for site improvements and preparation costs	\$0
Amounts expended for installation of public utilities or other public improvements	\$0
Amounts expended for administrative costs	\$25,320

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## **SUPPLEMENTAL INFORMATION**

The supplemental information section provides the reader with additional information about the basic financial statements.



LINDON CITY CORPORATION  
DEBT SERVICE  
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Budget		Actual	Variance
	Original	Final		
<u>Revenues</u>				
Tax increment	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>Expenditures</u>				
Salaries & wages	0	0	0	0
Employee benefits	0	0	0	0
Materials, supplies & services	0	0	0	0
Capital outlay	0	0	0	0
Debt service:				
Principal	830,687	2,934,467	2,877,639	(56,828)
Interest	403,119	373,527	418,413	44,886
	<u>1,233,806</u>	<u>3,307,994</u>	<u>3,296,052</u>	<u>(11,942)</u>
Excess (deficit) of revenues over expenditures	<u>(1,233,806)</u>	<u>(3,307,994)</u>	<u>(3,296,052)</u>	<u>11,942</u>
<u>Other Financing Sources and (uses)</u>				
Other financing sources (uses)	0	1,485,654	1,492,000	6,346
Operating transfers in	1,233,806	1,822,340	1,805,398	(16,942)
Operating transfers out	0	0	(1,346)	(1,346)
	<u>1,233,806</u>	<u>3,307,994</u>	<u>3,296,052</u>	<u>(18,288)</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>\$ -</u>	<u>\$ -</u>	0	<u>\$ (6,346)</u>
Fund balance, July 1			<u>0</u>	
Fund balance, June 30			<u>\$ -</u>	

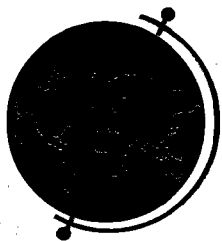
LINDON CITY CORPORATION  
SPECIAL IMPROVEMENT DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2006

	Budget		Actual	Variance
	Original	Final		
<u>Revenues</u>				
SID proceeds	\$ 95,407	\$ 827,424	\$ 818,849	\$ (8,575)
SID interest	2,900	11,000	11,291	291
	<u>98,307</u>	<u>838,424</u>	<u>830,140</u>	<u>(8,284)</u>
<u>Expenditures</u>				
Materials, supplies & services	3,453	4,989	4,990	1
	<u>3,453</u>	<u>4,989</u>	<u>4,990</u>	<u>1</u>
Excess (deficit) of revenues over expenditures	<u>94,854</u>	<u>833,435</u>	<u>825,150</u>	<u>(8,285)</u>
<u>Other Financing Sources and (uses)</u>				
Operating transfers in	142,093	57,637	57,637	0
Operating transfers out	<u>(236,947)</u>	<u>(820,252)</u>	<u>(817,947)</u>	<u>2,305</u>
	<u>(94,854)</u>	<u>(762,615)</u>	<u>(760,310)</u>	<u>2,305</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>\$ -</u>	<u>\$ 70,820</u>	<u>64,840</u>	<u>\$ (5,980)</u>
Fund balance, July 1			<u>354,233</u>	
Fund balance, June 30			<u>\$ 419,073</u>	

LINDON CITY CORPORATION  
**GENERAL CAPITAL PROJECTS**  
**COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	Budget			
	Original	Final	Actual	Variance
<u>Revenues</u>				
Impact fees	\$ 90,000	\$ 61,500	\$ 70,117	\$ 8,617
Impact fees - interest	2,000	1,500	1,652	152
	<u>92,000</u>	<u>63,000</u>	<u>71,769</u>	<u>8,769</u>
<u>Expenditures</u>				
Materials, supplies & services	0	5,000	2,844	(2,156)
Capital outlay:				
Parks and recreation	1,437,000	868,000	826,159	(41,841)
	<u>1,437,000</u>	<u>873,000</u>	<u>829,003</u>	<u>(43,997)</u>
Excess (deficit) of revenues over expenditures	<u>(1,345,000)</u>	<u>(810,000)</u>	<u>(757,234)</u>	<u>52,766</u>
<u>Other Financing Sources and (uses)</u>				
Operating transfers in	1,345,000	1,000,000	1,000,000	0
	<u>1,345,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>0</u>
Excess (deficit) of revenues & other financing sources over expenditures	<u>\$ -</u>	<u>\$ 190,000</u>	242,766	<u>\$ 52,766</u>
Fund balance, July 1			<u>1,141,707</u>	
Fund balance, June 30			<u>\$ 1,384,473</u>	

**YELLOW BOOK  
AND  
STATE LEGAL COMPLIANCE  
REPORTS**



## **THE C.P.A. NETWORK, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

GLOBAL ACCESS

LOCAL FINANCIAL SPECIALISTS

### **REPORT ON COMPLIANCE AND ON THE INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council and Mayor  
Lindon City Corporation, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lindon City Corporation, Utah, as of and for the year ended June 30, 2006, which collective comprise Lindon City Corporation, Utah's basic financial statements and have issued our report thereon dated December 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lindon City Corporation, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal controls over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-1 and 06-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal

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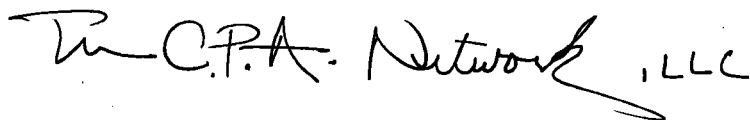
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control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lindon City Corporation, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain matters relating to the Utah State compliance Report which are described in the accompanying Utah State compliance Report.

This report is intended solely for the information and use of the audit committee, management, City Council, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "The C.P.A. Network, LLC". The signature is stylized, with the "C.P.A." and "Network" being more legible than the "The" and "LLC".

THE C.P.A. NETWORK, LLC  
Certified Public Accountants  
Provo, Utah

December 1, 2006

LINDON CITY CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2006

A. Current Year Findings

06-1 Accounting system security

Finding: Many staff have unlimited access to the Caselle computerized accounting system, allowing for potential manipulation of the accounting records due to lack of security of computer system access.

Recommendation: Complete an internal control system review that includes the computerized accounting system and implement the recommendations from that review.

City's response: The City finished Phase I of its review of internal controls in 2006 and intends to review the internal controls surrounding its computerized accounting systems in 2007.

06-2 Periodic "Monitoring" of anti-fraud and internal control systems

Finding: The City does not have a system in place to periodically monitor its anti-fraud and internal control systems.

Recommendation: Implement an effective monitoring process into the City's internal control environment and systems.

City's response: The City finished Phase I of its review of internal controls in 2006 and intends to review the internal controls with regards to monitoring (C.O.S.O. Model) in 2007.

B. Current Status of Prior Year Findings

05-1 Cash receipts

Finding: There is no segregation of duties for cash receipts. Although the task of receiving cash is assigned to a few employees, almost everyone working under the treasurer performs this task at one time or another.

Current status: The City had an outside review performed on its cash receipting and cash disbursement processes and surrounding internal controls. The City is in the process of implementing the recommendations.

05-2 Accounting system security

Finding: Many staff have unlimited access to the Caselle computerized accounting system, allowing for potential manipulation of the accounting records due to lack of security of computer system access.

Current Status: See comments at finding 06-1.

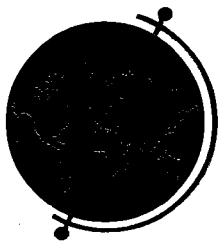
05-3 Periodic "Monitoring" of anti-fraud and internal control systems

**Finding:** The City does not have a system in place to periodically monitor its anti-fraud and internal control systems.

**Current Status:** See comments at finding 06-2.

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## **THE C.P.A. NETWORK, LLC**

CERTIFIED PUBLIC ACCOUNTANTS

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### **UTAH STATE COMPLIANCE REPORT BASED ON THE REQUIREMENTS, SPECIAL TESTS, AND PROVISIONS REQUIRED BY THE STATE OF UTAH'S LEGAL COMPLIANCE AUDIT GUIDE**

Honorable Members of the City Council and Mayor  
Lindon City Corporation, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lindon City Corporation, Utah, for the year ended June 30, 2006 and have issued our report thereon dated December 1, 2006. As part of our audit, we have audited Lindon City Corporation, Utah's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

Our audit also included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation and Property Tax Limitations  
Justice Courts Compliance  
Uniform Building Code Standards  
Impact Fees  
Other General Compliance Issues

The management of Lindon City Corporation, Utah is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

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We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described below. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the final paragraph of this report.

A. Current Year Immaterial Instance of Noncompliance

1. Segregation of Duties

Finding:

Lindon City Corporation has a limited number of personnel to perform various accounting functions. Therefore, total segregation of duties is not feasible.

Recommendation:

We recommended last year that the City review its internal control systems.

City's Response:

The City is undergoing a comprehensive review of its internal control systems.

2. Excess Fund Balance

Finding:

General fund balance exceeded maximum by \$181,973.

Recommendation:

We recommend that the City expend or reserve the excess fund balance in the next fiscal year.

City's Response:

The City concurs.

3. Budgeted Property Tax

Finding:

Budgeted property tax does not match form TC-693 submitted to the county.

Recommendation:

We recommend that the City follow its current policy of using a reasonable estimate of expected property tax collections for budgeting and not amend its budget to match the amounts submitted to the county.

City's Response:

The City concurs.

B. Current Status of Prior Year Immaterial Instances of Noncompliance

1. Segregation of Duties

Finding:

Lindon City Corporation has a limited number of personnel to perform various accounting functions, in particular, adequate review and approval of the general ledger journal entry process. Therefore, total segregation of duties is not feasible. To correct this weakness would require the City to hire additional personnel which would not be cost effective.

Current Status:

See current year finding no. 1.

2. Excess Fund Balance

Finding:

General fund balance exceeded maximum by \$387,629.

Current Status:

See current year finding no. 2.

3. Budgeted Property Tax

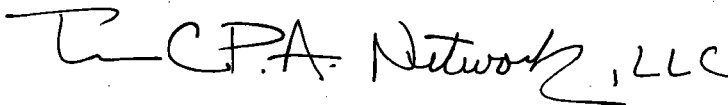
Finding:

Budgeted property tax does not match form TC-693 submitted to the county.

Current Status:

See current year finding no. 3.

In our opinion, Lindon City Corporation, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.



THE C.P.A. NETWORK, LLC  
Certified Public Accountants  
Provo, Utah

December 1, 2006

LINDON CITY  
100 North State Street  
Lindon, Utah 84042-1808



TEL 801-785-5043  
FAX 801-785-4510

March 26, 2007

MacRay A. Curtis, CPA, Director  
Local Government Division  
State of Utah, Office of the State Auditor  
PO Box 142310  
Salt Lake City UT 84114-2310

FAX: 801-538-1383

Re: Your letter dated March 19, 2007

Dear Mr. Curtis,

Please accept this letter as Lindon City's corrective action plan.

Area of noncompliance

Lindon City exceeded fund balance limitations in the General Fund.

Corrective Action Plan

The excess fund balance will be used for park property and other capital improvements as well as road construction for the extension of 700 North.

Contact Persons Responsible for Corrective Action

Ott Dameron, City Administrator  
Kristen Colson, Finance Director/Treasurer

Anticipated Completion Date

June 30, 2007

We would like to note that the 2005-2006 excess fund balance is less than the excess from 2004-2005. If there are any further questions or concerns, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Kristen Colson". The signature is written in a cursive, flowing style.

Kristen Colson  
Finance Director/Treasurer